

Message Text

SECRET

PAGE 01 ALGIER 02454 01 OF 03 150821Z

12

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 140745Z NOV 74

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 1374

S E C R E T SECTION 1 OF 3 ALGIERS 2454

EXDIS

E.O. 11652: GDS

TAGS: PFOR, AG, US

SUBJ: RESUMPTION OF RELATIONS: POLICY ASPECTS

SUMMARY. RESUMPTION OF RELATIONS WITH ALGERIA IS APPROPRIATE OCCASION FOR RE-EXAMINATION OUR POLICIES TOWARDS THIS COUNTRY. WHILE WE DO NOT THINK ANY RADICAL CHANGES REQUIRED OR LIKELY, WE SHOULD AT LEAST TAKE LOOK AT WHERE WE ARE GOING AND SOME OF BASIC ASSUMPTIONS UNDERLYING OUR ACTIONS TO DATE. THE FOLLOWING IS AN INITIAL SURVEY OF POLITICAL, ECONOMIC AND CULTURAL ASPECTS OUR POLICIES. OUR RECOMMENDATIONS AMOUNT TO DOING MORE OF THE SAME, WITH SLIGHTLY HIGHER PROFILE AS FAR AS USIS CONCERNED.

1. PART I. GENERAL. A. AFTER SEVEN YEARS IN SLOUGH OF ANOMALY, OUR DIPLOMATIC RELATIONS WITH ALGERIA HAVE AT LAST BEEN NORMALIZED. RESTORATION NOW MAKES LEGITIMATE THE DEFACTO DIPLOMATIC INTERCOURSE BETWEEN US, AND WILL FACILITATE SUCH EXCHANGES SOMEWHAT. THE BASIC EQUATION OF OUR INTERESTS, CONFLICTING AND COINCIDING, WILL NOT BE CHANGED HOWEVER, WE WILL STILL BE INTERESTED IN, AND HOPE WE WILL CONTINUE TO HAVE, ALGERIAN SUPPORT FOR, OR AT LEAST NON-INTERFERENCE WITH, OUR EFFORTS AT MIDDLE EAST SETTLEMENT. ON WORLD ISSUES INVOLVING DECOLONIZATION, HOWEVER, WE WILL CONTINUE TO BE AT ODDS WITH ALGERIANS MUCH OF TIME. AS REVOLUTIONARY POWER, THEY SEE THEIR INTERESTS AS BEING IN DIRECT

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SECRET

PAGE 02 ALGIER 02454 01 OF 03 150821Z

CONFLICT WITH OUR OWN IN REGARDS TO SUCH QUESTIONS AS

TERMS OF TRADE, WORLD FOOD PROBLEM, OIL PRICES, AND SUPPORT FOR REVOLUTIONARY MOVEMENTS AS OPPOSED TO STATUS QUO. ON OTHER HAND, THEY ARE VERY INTERESTED IN OUR TECHNOLOGY, PARTICULARLY IN PETROLEUM MATTERS, AND THEIR INDUSTRIALIZATION PLANS RELY HEAVILY ON OUR EXPERTISE.

2. B. IN POLITICAL FIELD, WE BELIEVE WE SHOULD CONTINUE DIALOGUE ON PALESTINE PROBLEM, BUT NOT WASTE OUR BREATH ON THOSE OTHER ISSUES WHERE ALGERIANS WILL, AS MATTER OF PRINCIPLE, OPPOSE POSITIONS TAKEN BY US, ALMOST WITHOUT REGARD FOR THEIR MERITS.

3. C. IN ECONOMIC FIELD, WE BELIEVE WE SHOULD CONTINUE EFFORTS PROMOTE AMERICAN PARTICIPATION IN INDUSTRIALIZATION AND ECONOMIC DEVELOPMENT EFFORTS. WE ARE CREATING CONTINUING MARKET FOR AMERICAN GOODS AND IMPROVING TIES OF ECONOMIC COOPERATION WHICH HAVE ALREADY SURVIVED DIFFICULT PERIOD BECAUSE IN THIS INSTANCE ALGERIANS SEE THEIR INTERESTS AS COINCIDING WITH OUR OWN. WE SHOULD ALSO CONTINUE EFFORTS TO EDUCATE ALGERIANS RE NEED FOR MODERATION ON OIL PRICES.

4. D. FOR USIS WE THINK MODEST UPGRADING OF ACTIVITY IS APPROPRIATE.

5. E. DISCUSSION THESE POINTS FOLLOWS. WE THINK THIS TELEGRAM SHOULD BE POINT OF DEPARTURE FOR MORE DETAILED STUDY, PARTICULARLY OF UNDERLYING ECONOMIC ASSUMPTIONS. WE NEED THOROUGH STUDY OF VIABILITY OF ALGERIAN ECONOMY OVER LONG RUN IN VIEW POPULATION GROWTH RATE. IN NEXT TWO WEEKS WE WILL ATTEMPT FORMULATE MORE PRECISELY QUESTIONS WHICH SHOULD BE ANSWERED THIS REGARD AND WILL SEEK DEPARTMENT'S HELP IN FINDING ANSWERS.

6. PART II. ECONOMIC RELATIONS. OUR ECONOMIC INTEREST IN ALGERIA IS PRIMARILY RELATED TO ITS HYDROCARBON RESOURCES. SECONDARILY, ALGERIA IS A RAPIDLY DEVELOPING ECONOMY WHICH OFFERS OPPORTUNITIES FOR THE SALE OF LARGE SCALE INDUSTRIAL PROJECTS. FINALLY, AND

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PAGE 03 ALGIER 02454 01 OF 03 150821Z

RELATED TO THE FIRST TWO, WE NEED TO BALANCE OUR TRADE WITH ALGERIA BY SUBSTANTIALY INCREASEING OUR EXPORTS.

7. ALGERIA IS FOLLOWING A SOCIALIST PATH WITH HEAVY EMPHASIS ON LARGE INDUSTRIAL PROJECTS, EFFECTIVE CONTROL OF CONSUMER SPENDING, AND GREAT EMPHASIS ON PLANNING. WITH THE ASSISTANCE OF THEIR OIL WEALTH AND A FRENCH BUILT INFRASTRUCTURE, ALGERIA HAS A RAPIDLY GROWING

ECONOMY-AN AVERAGE ANNUAL RATE OF 11.2 PERCENT. UNDER THE NEW FOUR-YEAR PLAN 1974/77 THE PROJECT A FIFTY PERCENT GROWTH IN NATIONAL PRODUCTION.

8. THIS SORT OF FORCE-FED GROWTH IS PAINFUL. ONE CANNOT INVEST TWENTY SIX BILLION DOLLARS IN A COUNTRY WITH A THIRTY PERCENT LITERACY RATE AND AVERAGE AGE OF UNDER TWENTY WITHOUT CREATING PROBLEMS. THE POPULATION GROWTH RATE OF 3.4 PERCENT MAKES IT NECESSARY FOR ALGERIA TO RUN JUST TO STAY AHEAD OF ITS BURGEONING YOUTH AND TO FIND JOBS FOR EVERYBODY. THERE IS A QUESTION WHETHER ALGERIA CAN EDUCATE ENOUGH PEOPLE TO RUN THE COMPLEX INDUSTRIAL ECONOMY IT IS CREATING. CERTAINLY IT WILL NOT BE EASY; THERE WILL BE DELAYS, INEFFICIENCIES AND STRAINS, BUT WE PREDICT THE ALGERIANS WILL EVENTUALLY SURMOUNT THESE OBSTACLES. THIS FORECAST IS MADE ON ASSUMPTION THAT HIGH OIL PRICES WILL CONTINUE TO SUPPLY THREE TO FOUR BILLION DOLLARS OF FOREIGN EXCHANGE A YEAR AND THAT US AND/OR EUROPE WILL CONTINUE TO LOAN LARGE SUMS TOWARDS INDUSTRIAL PROJECTS.

9. ASSUMPTION OF HIGH OIL PRICES, WASHINGTON CAN ASSESS AS WELL AS WE CAN. FROM ALGIERS IT LOOKS UNFORTUNATELY SAFE, BUT HIGHER CAPITAL GOODS PRICES WILL PROBABLY FORCE ALGERIA TO CUT BACK SOME OF ITS AMBITIOUS FOUR-YEAR PLAN AND WILL MAKE FOREIGN FINANCING OF PROJECTS MORE IMPORTANT.

10. ALGERIAN OIL IS SULFUR FREE AND RELATIVELY CLOSE TO BOTH US AND EUROPEAN MARKETS. WE BELIEVE ALGERIA WILL CONTINUE TO SELL A BILLION PLUS DOLLARS OF OIL A YEAR TO THE BIG THREE BUYERS: US, FRANCE AND GERMANY, PLUS MORE SALES TO A NUMBER OF OTHER COUNTRIES. THE
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PAGE 04 ALGIER 02454 01 OF 03 150821Z

THREE LARGEST BUYERS WILL WISH TO RECOUP THEIR CURRENCY OUTFLOWS FOR OIL BY SELLING TO ALGERIA LARGE CAPITAL PROJECTS. THE CONTROL AND RESTRICTIONS ON CONSUMER GOODS MAKES CAPITAL SALES THE MAIN WAY OF RECOUPING THE FOREIGN EXCHANGE OUTFLOWS. THE US CAN, HOWEVER, EXPECT A CONTINUING AND GROWING LARGE MARKET FOR OUR AGRICULTURAL EXPORTS.

11. ASSUMING THE ABOVE FORECASTS ARE ACCURATE, THE SALE OF LARGE PROJECTS TO ALGERIA RAISES A NUMBER OF KEY POLICY QUESTIONS FOR THE UNITED STATES. (A) WHAT PROJECTS SHOULD WE INVEST IN? DIFFICULTIES WITH EXISTING LNG PLANTS RAISE SOME QUESTION AS TO TECHNICAL FEASIBILITY OF LIQUEFICATION PROCESS UNDER ALGERIAN CONTROL FOR ON-LINE RATHER THAN PEAK SHAVING GAS SUPPLIES. WE

BELIEVE FURTHER TECHNICAL STUDIES SHOULD BE MADE BEFORE
USG LOANS OR GUARANTEES MORE INVESTMENT IN LNG PROJECTS

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PAGE 01 ALGIER 02454 02 OF 03 141550Z

42

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

----- 107323

R 140745Z NOV 74

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 1375

S E C R E T SECTION 2 OF 3 ALGIERS 2454

EXDIS

HOWEVER, IN OUR VIEW, THERE IS NO QUESTION THAT EL PASO
I PROJECT SHOULD BE COMPLETED.

12. RECYCLING PLANTS TO REMOVE VALUABLE CONDENSATE FROM
ALGERIAN GAS SEEM TO HAVE A HIGH RATE OF RETURN ON
INVESTMENT AND TO SUPPLY NEEDED FEED-STOCK FOR THE US
CHEMICAL INDUSTRY.

13. AMMONIA AND PHOSPHATE FERTILIZER PLANTS USING
ALGERIAN RAW MATERIALS WOULD BE FRUITFUL AREAS OF
INVESTMENT WHERE US HAS EXPERIENCE, ALGERIA HAS RAW
MATERIALS AND PRODUCTION AUGMENTS WORLDWIDE SCARCE
COMMODITIES.

14. NEW REFINERIES RAISE QUESTIONS BECAUSE OF POSSIBLE
SURPLUS REFINERY CAPACITY BEING BUILT IN OIL PRODUCING
COUNTRIES. IN ALGERIA, WITH ITS LIMITED CRUDE
OIL RESOURCES, REFINERY PRODUCTION WILL REDUCE AMOUNT
OF CRUDE OIL AVAILABLE FOR EXPORT. PLANNED REFINERIES
AT SIKKDA, ARZEW AND BEJAIA COULD REDUCE ALGERIAN
EXPORTABLE CRUDE FROM ALMOST FIFTY MILLION TONS A YEAR
TO LESS THAN THIRTY MILLION TONS A YEAR.

15. NEW INDUSTRIES TO ALGERIA - PROCESSED STEEL,
ALUMINUM, CARS, RADIOS, PHARMACEUTICALS ARE ESPECIALLY
GOOD AREAS FOR INVESTMENT SINCE THERE IS A GUARANTEED

NATIONAL MARKET, TIES CAN BE FORMED FOR SUPPLY BY THE
US OF COMPLEX PARTS AND TRAINING CAN ALSO TIE NEW

SECRET

SECRET

PAGE 02 ALGIER 02454 02 OF 03 141550Z

INDUSTRY TO US METHODS AND TECHNOLOGY. WITH CONTROLLED,
PLANNED ECONOMY, LONG TERM SUPPLY CONTRACTS CAN BE
NEGOTIATED.

16. ON THE OTHER HAND, THESE NEW INDUSTRIES WILL BE
THE HARDEST FOR THE DEVELOPING ALGERIAN ECONOMY TO
ABSORB AND IN A WORLDWIDE VIEW LEAST PROFITABLE.

17. (B) IS ALGERIAN ECONOMY AND ITS FOUR-YEAR PLAN
VIABLE? OUR ANSWER NOTED ABOVE IS A QUALIFIED YES,
GIVEN OIL REVENUES AND DETERMINED, RADICAL LEADERSHIP.
THE GOVERNMENT'S UNWILLINGNESS TO CONSIDER FAMILY
PLANNING, THE BUREAUCRATIC MESS, LOW WORKER
PRODUCTIVITY AND THE PROPENSITY TO KICK ALL DECISIONS
TO THE TOP, HOWEVER, RAISE MANY DOUBTS.
THE QUESTION OF VIABILITY SHOULD
CONTINUE TO BE POSED AND RE-EXAMINED PERIODICALLY.
TURN-KEY PROJECTS WITH FIXED PRICES SHOULD BE DOWNPLAYED
AND MORE ATTENTION GIVEN TO GUARANTEES OF
PERFORMANCE UNDER ALGERIAN MANAGEMENT.

18. (C) WHAT SHOULD BE THE FUTURE ROLE OF EXIM VIS-A-
VIS ALGERIA? ALMOST ALL LARGE PROJECTS IN ALGERIA HAVE
SOME SORT OF EXPORT FINANCING. THE ALGERIANS EXPECT IT
AND IT IS AN NECESSARY ADJUNCT FOR WINNING LARGE INDUSTRIAL
CONTRACTS HERE. HOWEVER, THE ALGERIANS ARE COMING TO
UNDERSTAND PRESIDENT CASEY'S WARNING THAT THERE IS A
LIMIT TO EXIM LENDING TO ALGERIA. THE PROJECTS ENVI-
SIONED IN THE 1974/77 FOUR-YEAR PLAN AND NEGOTIATED
BY US COMPANIES ARE TOO BIG TO BE ALL FINANCED BY EXIM.

19. EMBASSY BELIEVES EXIM SHOULD CONTINUE TO EMPHASIZE
THE LIMIT OF ITS LENDING AUTHORITY TO THE ALGERIANS AND
THE NEED TO DISCUSS WITH ALGERIA ITS OVERALL NEEDS AND
IF POSSIBLE SELECT ITS PRIORITY PROJECTS. A CEILING
SHOULD NOT BE PLACED ON ALGERIA, BUT THE PERCENTAGE
LOANED OF A PROJECT COULD PERHAPS BE DROPPED AS MORE
LOANS ARE MADE IN ORDER TO MAKE EXIM MONEY GO FURTHER. FINALLY,
THE SIZE OF ALGERIAN PROJECTS GIVES LARGE US FIRMS
AND ADVANTAGE IF FINANCING IS EQUAL. THE EFFORT TO REDUCE
DEVELOPED COUNTRY LENDING COMPETITION BY SETTING AN

SECRET

SECRET

PAGE 03 ALGIER 02454 02 OF 03 141550Z

AGREED RANGE OF TERMS SHOULD BE PRESSED.

20. (D) A FINAL ECONOMIC POLICY QUESTION THAT NEEDS TO BE RESOLVED IS WHETHER THE US WANTS TO BUY ALGERIAN GAS. OBVIOUSLY THIS IS RELATED TO THE LNG TECHNOLOGY QUESTION, BUT THE US WILL HAVE TO ACT QUICKLY IF IT WANTS TO BUY IT. REALISTICALLY, THE QUESTION HAS TO BE POSED AT AN FOB PRICE OF OVER DOLLAR ONE PER MILLION BTU AND PROBABLY DOLLAR 1.20 TO 1.50. THE US MARKET PRICE FOR GAS IS LOWER THAN EUROPE'S AND TRANSPORTATION TO EUROPE IS MUCH LESS COSTLY. EUROPE WILL BUY THE GAS IF WE DON'T, BUT AT THE MOMENT THE US/EUROPE COMPETITION ALLOWS ALGERIA TO PUSH THE PRICE UP. EMBASSY BELIEVES WE SHOULD APPROVE ONE MORE LARGE CONTRACT FOR ALGERIAN GAS AND THEN STOP. IT IS DANGEROUS TO BECOME TOO BEHOLDEN TO ALGERIA. THE ALGERIANS HOLD VERY DIFFERENT ECONOMIC AND POLITICAL VIEWS FROM US AND IF THE GOING GETS ROUGH WILL USE WHATEVER LEVERAGE THEY HAVE.

21. EMBASSY CAN ASSIST US BUSINESS INTERESTS BY ASSISTING EXPATRIATES SENT TO BUILD THESE LARGE PROJECTS. IN ALGERIA, WHERE THERE ARE FEW EXISTING INDIVIDUALS OR ORGANIZATIONS GEARED TO HELP THE FOREIGN BUSINESSMAN EFFECTIVELY, OUR ECON/COMMERCIAL SECTION HAS TO PARTICIPATE TO UNUSUAL EXTENT IN CORPORATE EFFORTS TO ESTABLISH HERE. A STRONG LOCAL STAFF ACQUAINTED WITH ALGERIAN PROCEDURES AND CONTACTS IS REQUIRED. TECHNICAL SALES SEMINARS AND US PARTICIPATION IN THE ALGIERS INTERNATIONAL TRADE FAIR HELP NEW US INDUSTRIES TO ESTABLISH MORE CONTACTS AND INVOLVEMENT IN THE NATIONAL ECONOMY. WE SHOULD CONTINUE TO STRESS THESE AREAS AND EXPAND THE COMMERCIAL PROGRAM WITHIN THE LIMITS OF STAFF.

22. PART III. POLITICAL RELATIONS. (A) BOUMEDIENE'S GOVERNMENT AND PROSPECTS. ALGERIA HAS JUST CELEBRATED 20TH ANNIVERSARY OF REVOLUTION. POLITICALLY, THESE TWENTY YEARS MAY BE DIVIDED INTO THREE ROUGHLY-EQUAL PERIODS: PRE-INDEPENDENCE WHEN ALGERIANS FOUGHT FRENCH;

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SECRET

PAGE 04 ALGIER 02454 02 OF 03 141550Z

POST-INDEPENDENCE WHEN ALGERIANS FOUGHT THEMSELVES; AND, 1968-TO-PRESENT WHEN RELATIVELY STABLE COALITION OF ARMY AND TECHNOCRATS HAS EMERGED UNDER PRESIDENT BOUMEDIENE. COLLEGIAL RULE BY NATIONAL COUNCIL OF REVOLUTION HAS EVOLVED INTO GREATER PRESIDENTIAL CONTROL. BOUMEDIENE HAS GAINED STATURE AND AUTHORITY IN OFFICE AND NOW DOMINATES POLITICAL SCENE.

ALGERIA'S BASIC POINT OF REFERENCE REMAINS "THE

REVOLUTION" AND BOUMEDIENE HAS OUTLASTED OR CLIPPED WINGS OF ALL COMPETING REVOLUTIONARY LEADERS. HE IS HIS OWN MINISTER OF DEFENSE AND CAREFULLY CULTIVATES SUPPORT OF ARMY. HIS DOOR IS OPEN TO REVOLUTIONARY COMRADES IN ARMS. HIS REGIME IS ALSO THOROUGHLY AUTHORITARIAN AND QUICKLY REPRESSES ANY SIGN OF POLITICAL DISSIDENCE OR PLURALITY. LABOR AND STUDENT ORGANIZATIONS HAVE BEEN SUBORDINATED TO NATIONAL LIBERATION FRONT. ALGERIA'S SOLE POLITICAL PARTY, WHICH IS IN TURN UNDER FIRM CONTROL OF REGIME. BOUMEDIENE AND INNER CIRCLE OF TRUSTED ADVISORS MAKE THE CRITICAL DECISIONS. ROLE OF PRINCIPAL GOVERNING BODY, WHICH IN 1973-74 HAS BEEN COUNCIL OF REVOLUTION AND COUNCIL OF MINISTERS MEETING TOGETHER, IS TO DISCUSS AND RATIFY LEADERSHIP'S DECISIONS AND THEN CARRY THEM OUT.

23. ALTHOUGH NO MECHANISMS EXIST FOR PENDING TRANSFER OF POWER, PRESENT LEADERS ARE STILL RELATIVELY YOUNG AND FACE NO SERIOUS SHORT-TERM OPPOSITION OR CHALLENGES THAT WE ARE AWARE OF. POLITICAL EXILES, SUCH AS AIT AHMED OR TAHAR ZBIRI, ARE DISORGANIZED AND HAVE NO SIGNIFICANT INTERNAL APPEAL. DOMESTIC CRITICS, INCLUDING MIDDLE CLASS BUREAUCRATS AND RURAL BOURGEOISIE WHO HAVE LOST LAND UNDER AGRARIAN REFORM PROGRAM, HAVE NO POLITICAL FOCAL POINT OR LEADERSHIP.

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PAGE 01 ALGIER 02454 03 OF 03 150835Z

12
ACTION SS-25

INFO OCT-01 ISO-00 /026 W
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R 140745Z NOV 74
FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 1376

SECRET SECTION 3 OF 3 ALGIERS 2454

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WE KNOW VERY LITTLE ABOUT ATTITUDES OF YOUNGER ARMY OFFICERS BUT HAVE NO EVIDENCE THAT ANY SUBSTANTIAL DISAFFECTION EXISTS. ALTHOUGH AUTHORITARIAN, BOUMEDIENE REGIME APPEARS TO GOVERN WITH LARGE MEASURE OF POPULAR CONSENT.

24. POLITICAL CHALLENGES, WHEN THEY COME, WILL PROBABLY RESULT FROM REGIME'S FAILURE TO MEET ALGERIAN ECONOMIC ASPIRATIONS. IN SHORT RUN, FAILURE TO CURB INFLATION AND CORRECT PERIODIC SHORTAGES OF ESSENTIAL FOODSTUFFS COULD PRODUCE VISIBLE POPULAR DISCONTENT. OVER LONGER TERM, UNEMPLOYMENT, POPULATION PRESSURES OR CLEAR FAILURE OF EITHER INDUSTRIAL GAMBLE OR AGRARIAN REFORM PROGRAM COULD TRANSLATE INTO POLITICAL PRESSURES AGAINST BOUMEDIENE AT PRESENT, HOWEVER, REGIME APPEARS FIRMLY IN POWER AND WILL PROBABLY CONTINUE THAT WAY FOR SOME TIME.

25. EXTERNALLY, ALGERIA'S RELATIVELY RECENT INVOLVEMENT IN ARAB, NON-ALIGNED AND INTERNATIONAL ECONOMIC ISSUES CAN BE EXPECTED TO CONTINUE. BOUMEDIENE'S MESSAGE ON REGAINING CONTROL OVER NATURAL RESOURCES, REORDERING WORLD ECONOMIC STRUCTURE AND LIMITING GREAT POWER "HEGEMONIES" WILL CONTINUE TO FIND RECEPTIVE AUDIENCE AMONG RESOURCE-RICH DEVELOPING NATIONS OF AFRICA, ASIA AND LATIN AMERICAN-AND EVEN AMONG EUROPEANS SUCH AS FRANCE AND SWEDEN, WHO SEEK TO FOLLOW INDEPENDENT COURSE.

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PAGE 02 ALGIER 02454 03 OF 03 150835Z

26. (B) SIGNIFICANCE TO US. RESUMPTION OF RELATIONS IS NOT GOING TO BRING SUBSTANTIVE CHANGES IN ALGERIAN POLICIES TOWARD US. NOR WILL IT SIGNIFICANTLY INCREASE AMOUNT OF INFLUENCE WE CAN BRING TO BEAR ON ALGERIANS ON MOST POLITICAL MATTERS. ON OTHER HAND, OUR POLICY OVER PAST FEW YEARS OF ENCOURAGING US-ALGERIAN ECONOMIC TIES HAS PAID GOOD DIVIDENDS. ALGERIANS NOW HAVE REAL STAKE IN ECONOMIC COOPERATION WITH US. THIS HAS CONTRIBUTED TO THEIR DECISION TO PART COMPANY WITH ARAB HARDLINERS AND ENDORSE THE SECRETARY'S MIDDLE EAST PEACE EFFORTS. THEY HAVE WELCOMED THE SECRETARY'S THREE VISITS TO ALGIERS OVER PAST YEAR AND WANT TO CONTINUE POLITICAL DIALOGUE WHICH HE HAS ESTABLISHED. THEIR EXPECTATION IS TO MAINTAIN DIALOGUE AT MINISTERIAL LEVEL OR HIGHER BUT IT SHOULD NEVERTHELESS RESULT IN SOME MODEST INCREASE IN OUR LOCAL ACCESS TO DECISION-MAKING LEVELS OF GOA. CRITICISM OF US IN ALGERIAN MEDIA MAY DECREASE IN FREQUENCY AND INTENSITY BUT IT WILL NOT DISAPPEAR.

27. ALGERIA, AFTER RESUMPTION, MIGHT ALSO PROVE EFFECTIVE INTERMEDIARY BETWEEN US AND IRAQ, SOUTH YEMEN, PLO, CUBA AND EVEN NORTH KOREA, GRUNK AND PRG SHOULD WE WISH TO INCREASE COMMUNICATION WITH ANY OF THESE GROUPS.

28. PART IV. CULTURAL COOPERATION. SINCE 1967 WE HAVE HAD LOW PROFILE USIS PRESENCE HERE AND VERY MODEST CU PROGRAM. WE DO NOT THINK IT DESIRABLE TO INCREASE GREATLY OUR USIS PRESENCE, BUT ITS BUDGET SHOULD BE INCREASED AND WE SHOULD RAISE OUR PROFILE SLIGHTLY. AS FIRST STEP, USIS SHOULD MOVE OUT OF CHANCERY AND SET UP SHOP IN DIFFERENT LOCATION. SLIGHTLY EXPANDED USIS SHOULD DOVETAIL SOME ADDITIONAL ACTIVITIES WITH EMBASSY'S COMMERCIAL/ECONOMIC SHOP BY CREATING HIGHLY SELECTIVE COLLECTION BOOKS IN FRENCH ON BUSINESS MANAGEMENT, TECHNOLOGY, CORPORATE STRATEGY, INDUSTRIAL DEVELOPMENT AND INCLUDE SOME MARKET RESEARCH STUDIES AND OTHER DOCUMENTATION ON TRADE OPPORTUNITIES IN THE US.

29. USIS SHOULD ALSO SET UP SECOND COLLECTION ON

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PAGE 03 ALGIER 02454 03 OF 03 150835Z

EDUCATION IN US AND AN OFFICE IN WHICH FACILITATIVE ASSISTANCE WOULD BE PROVIDED FOR ALGERIANS BEING SENT TO US AT GOA EXPENSE FOR ADVANCED DEGREES. IN THIS CONNECTION, ALGERIANS LOOKING FOR ORGANIZATION TO HELP THEM WITH PLACEMENT OF STUDENTS IN US UNIVERSITIES. TOTAL NUMBER OF SUCH STUDENTS AT MOMENT IS MODEST BUT WILL GROW. TO GIVE SOME IDEA EXTENT ALGERIAN INTENTIONS, MININDUSTRY AND ENERGY ABDESSLAM ASKED FORD FOUNDATION CHAIRMAN BUNDY DURING THEIR MEETING HERE NOVEMBER 11 FOR HELP IN PLACEMENT THREE THOUSAND ALGERIANS IN US UNIVERSITIES NEXT YEAR. AMERICAN FRIENDS MIDDLE EAST WOULD LIKE JOB, BUT WE UNDERSTAND THEY TAINTED IN ALGERIAN EYES BY PAST ASSOCIATION WITH CIA. MINISTRY INDUSTRY AND ENERGY HAS JUST NEGOTIATED USE OF ORGANIZATION CALUSEARCH, BUT APPARENTLY NOT TOTALLY SATISFIED WITH IT. PERHAPS CU CAN BE OF ASSISTANCE HERE AS WELL AS IN FINDING ORGANIZATION WITH ASSETS AND EXPERIENCE NECESSARY TO DO JOB WELL.

30. ANOTHER POTENTIAL AREA CU COOPERATION IS IN CONNECTION WITH ALGERIAN PLAN CREATE ELECTRONICA-ELECTRICAL ENGINEERING SCHOOL WITH STUDENT BODY OF THREE THOUSAND. MINISTER INDUSTRY AND ENERGY HAS TOLD ME HE WOULD LIKE TO INVOKE SERVICES OF GROUP OF AMERICAN UNIVERSITIES TO ESTABLISH CURRICULUM AND HELP STAFF SCHOOL. WHAT HE HAS IN MIND IS SOMETHING ALONG LINES (BUT ON MUCH GRANDER SCALE) OF THE UNIVERSITY OF MINNESOTA CONTRACT

WITH HASSAN II AGRICULTURAL INSTITUTE IN MOROCCO. THIS
SEEMS TO US TO BE AREA TAILOR MADE FOR CU ASSIS-
TANCE AND WHEN AND IF WE GET DETAILS FOR GOA WE WILL BE
SENDING IN MORE SPECIFIC REQUEST FOR ASSISTANCE. (NOTE:
MINISTER'S REMARKS TO BUNDY MAY MEAN HE HAS DECIDED TRAIN
ENGINEERS IN US RATHER THAN HERE.)
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